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RUEAIIA/CIA WASHDC PRIORITY

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RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DOE WASHDC PRIORITY

C O N F I D E N T I A L ISTANBUL 000576

SIPDIS

EEB FOR A/S SULLIVAN

SPECIAL ENVOY FOR EURASIAN ENERGY GRAY

EEB FOR ENERGY COORDINATOR MANN

EUR FOR DAS BRYZA

E.O. 12958: DECL: 11/18/2018

TAGS: [ENRG](#) [EPET](#) [IZ](#) [TU](#)

SUBJECT: SUBJECT: MINISTER BABACAN SUPPORTS IRAQI GAS FOR SOUTHERN CORRIDOR

REF: ISTANBUL 553

Classified By: AMBASSADOR WILSON FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary. On Oct 30, a high-level, interagency delegation led by Department of Energy Acting Deputy Secretary Kupfer discussed Turkey's energy needs and the Southern Corridor with Foreign Minister Babacan. The delegation presented the same message to Babacan as the PM (ref a) namely an offer to send a technical-level team to Turkey to identify areas for cooperation and the establishment of a multi-lateral financing mechanism to support energy investment in Turkey. Babacan welcomed the delegation's proposals; reiterated Turkey's strong support for the Southern Corridor; and dwelt on the importance including Iraqi gas for Nabucco to promote stability of the region. End summary.

¶2. (C) Kupfer said the President's letter of early October and other efforts are aimed at working with producer, transit and consumer countries to realize the Southern Corridor. Once the terms of transit between Azerbaijan and Turkey are clear, the gas resources for the project would be forthcoming. Special Envoy Gray added that leadership on the consumer side has been lacking and we are working to get the EU more engaged.

¶3. (C) Babacan responded that the President's letter was timely and reflected many of the issues he had raised with Energy Secretary Bodman in June. He warmly welcomed the delegation's proposals on energy. Getting the EU more involved in Nabucco is important and in particular we need to focus on EU capitals, he said. Turkey is ready to cooperate with the EU.

¶4. (C) Turkey fully supports Nabucco, Babacan said, and is proactively seeking gas for the project with Azerbaijan and others. Babacan argued that Iraq could be an important gas source. Iraqi gas flowing westward would give Iraq more diverse export portfolio and help bring stability to the region. To that end, Turkey would prove the best route for Iraqi gas exports, both from Northern and Southern Iraq. The absence of a hydrocarbon law in Iraq continues to delay progress, however. Babacan said Iranian gas should also be considered for Nabucco but acknowledged that now is not the time for such an option.

¶5. (C) Diversity is the key issue for Turkey, not just in terms of oil and gas but also Turkey's energy mix. Babacan

emphasized the importance of making decisions now because the results of those decisions are five to seven years down the road. Babacan said Turkey needs more investment in hydro and thermal plants as well as renewables. Turkey has begun and will continue to privatize state distribution and generation assets in an effort to attract investment into the sector. Historically, the bulk of Turkey's foreign direct investment is from the EU. Babacan responded positively to the delegation's financing proposals aimed to bring more U.S. investment into the sector. In terms of adding large generating capacity, Babacan said nuclear power is the way to go but noted its long development horizon. Kupfer said that nuclear power requires a strong government role in setting the regulations, providing sufficient incentives and perhaps backing the financing. Babacan agreed.

¶6. (C) Comment: Both the PM and Energy Minister emphasized the importance of Turkmen gas for the Southern Corridor, while Babacan stressed Iraqi gas. In effect, this means the GOT is working both countries for gas which is positive. End comment.

¶7. (U) The delegation has cleared this cable.

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